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Via: E-Mail

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Mr. David H. Meyer  
Acting Deputy Director  
Office of Electricity Delivery and  
Energy Reliability  
U.S. Department of Energy

Dear Mr. Meyer:

On September 1, 2005, the Department of Energy (DOE) submitted to Mr. James Torgerson, President of the Midwest Independent System Operator (MISO), a series of questions regarding economic dispatch. Those questions were in turn forwarded to MISO stakeholders including Northern Indiana Public Service Company (NIPSCO), a subsidiary of NiSource.

NiSource is a registered holding company under the Public Utility Holding Company Act of 1935. NiSource has a number of subsidiaries involved in the electric industry, including NIPSCO, Whiting Clean Energy, Inc. (Whiting) and TPC-USA.

NIPSCO is a public utility engaged in the generation, transmission, and distribution of energy at wholesale and at retail. NIPSCO distributes electricity to approximately 432,000 retail customers in its service territory located in 30 counties in northern Indiana. On October 1, 2003, GridAmerica LLC ("GridAmerica") assumed functional control of NIPSCO's transmission assets. GridAmerica, in turn, cedes certain functions related to the provision of transmission service to MISO. Thus, open access transmission service over NIPSCO's facilities is currently provided pursuant to the MISO's OATT. In addition, NIPSCO holds a Commission-approved tariff permitting it to sell wholesale power at market-based rates. NIPSCO owns generating facilities totaling 3,392 MW.

Whiting also holds Commission-approved tariffs authorizing it to engage in wholesale power sales at market-based rates. Whiting is an exempt wholesale generator ("EWG") located in northern Indiana. Whiting owns and operates a 525 MW generation facility that is interconnected with NIPSCO's transmission system. TPC-USA is an active participant in the wholesale market place.

NiSource Comments in response to the DOE's questions follow. If you have any questions regarding these comments, please contact: Jerry Godwin at 219-647-5530.

**Question 1:** What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area)?

**Comment:** NIPSCO operates within MISO and receives dispatch signals from MISO. MISO performs a security-constrained economic dispatch for the entire MISO footprint based on the offers submitted by its market participants.

**Question 2:** Is the Act's definition of economic dispatch appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch and why?

**Comments:** The Act's definition of economic dispatch seems appropriate. However, as stated in Comments to Question #1, MISO performs a security-constrained economic dispatch for the entire MISO footprint based on the offers submitted by its market participants. The prices at which these offers are made are a proxy for the market participant's cost.

Economic dispatch is most effective and least likely to cause reliability problems or distorted cost signals if it occurs within a single contiguous RTO/ISO. For example, when economic dispatch takes place across a non-contiguous portion of an RTO/ISO to another non-contiguous portion of the same RTO/ISO, there can be large swings in the direction of transmission flow within the intervening RTO/ISO. Those swings result in no benefit to the intervening RTO/ISO but do create operational reliability and economic ramifications within that system. The transmission system was not built for flows of these magnitudes. See Complaint filed by NIPSCO in Docket No. ER05-103. Additional factors to be considered are the coordination of adjacent RTOs and their markets, current technology limitations for large market solutions, and significant administrative costs.

**Question 3:** How do economic dispatch procedures differ for different classes of generation, including utility-owned versus non-utility generation? Do actual operational practices differ from the formal procedures required under tariff or federal or state rules, or from the economic dispatch definition above? If there is a difference, please indicate what the difference is, how often this occurs, and its impacts upon non-utility generation and upon retail electricity users. If you have specific analyses or studies that document your position, please provide them.

**Comments:** Within MISO there is no difference in the security-constrained economic dispatch procedures among different classes of generation.

**Question 4:** What changes in economic dispatch procedures would lead to more non-utility generator dispatch? If you think that changes are needed to current economic dispatch procedures in your area to better enable economic dispatch participation by non-utility generators, please explain the changes you recommend.

**Comments:** Within MISO, there is nothing that should procedurally preclude a non-utility generator from being dispatched on a non-discriminatory basis. MISO procedures need not be changed as they apply equally to both utility and non-utility generators.

**Question 5:** If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emission, or other impacts? How would this affect retail customers in particular states or nationwide? If you have specific analyses to support your position, please provide them to us.

**Comments:** NiSource does not foresee economic dispatch causing greater use of non-utility generation at this time.

**Question 6:** Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

**Comments:** MISO's current approach and use of its security-constrained economic dispatch along with its planned improvements appropriately balances the reliability and economic concerns for its stakeholders.

NiSource appreciates the opportunity to respond to the DOE's questions. If you have further questions, you may contact me at (219) 647-5530.

Very truly yours,

*/s/Jerry Godwin*

Jerry Godwin